

Message Text

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PAGE 01 MANILA 09487 081024Z

12

ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 CIAE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-03 XMB-07 OPIC-12

CIEP-03 LAB-06 SIL-01 OMB-01 STR-08 CEA-02 IO-14

NEA-14 INT-08 DRC-01 /198 W

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P 080939Z AUG 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 5899

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FOR NAC AGENCIES

E.O. 11652: N/A

TAGS: EAID, EFIN, RP

SUBJECT: PROPOSED ADB LOAN - MANILA WATER SUPPLY PROJECT-
PHILIPPINES

REF: MANILA 9302

1. MANILA WATER SUPPLY PROJECT APPEARS TECHNICALLY SOUND AND IS HIGHLY DESIRABLE SOCIAL INFRASTRUCTURE WHICH WILL SERVE NOT ONLY 12 PERCENT OF PHILIPPINE POPULATION BUT ALSO GROWING INDUSTRY IN GREATER MANILA AREA. AT PRESENT ONE MILLION OUT OF 5.4 MILLION IN METROPOLITAN AREA HAVE NO ACCESS TO PUBLIC WATER SUPPLY, AND PROJECT WILL HAVE BROAD SOCIAL WELFARE IMPACT AND CONTRIBUTE TO INDUSTRIAL GROWTH AND EMPLOYMENT. INDEED, FOR ANYONE WHO HAS LIVED IN MANILA, PROJECT ASSUMES A PERSONAL IMPORTANCE IN MAKING AVAILABLE PURE AND PLENTIFUL WATER.

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PAGE 02 MANILA 09487 081024Z

2. PROJECT IS NOTEWORTHY AS THE LARGEST ADB LOAN TO A

COUNTRY WHICH LAST YEAR WAS THE LARGEST BORROWER OF THE ADB. IT IS ALSO HIGHLY VISIBLE PROJECT IN CAPITAL OF THAT COUNTRY WHERE ADB HAS ITS HEADQUARTERS. EXECUTION OF PROJECT WILL BE ENTRUSTED TO METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS) WHICH IS SUCCESSOR TO NOTORIOUSLY INCOMPETENT NATIONAL WATERWORKS AND SEWERAGE AUTHORITY (NWSA). MWSS WILL ALSO BE BORROWER WITH THE GOP AS GUARANTOR.

3. MWSS HAS MADE SOME IMPROVEMENTS IN ITS ADMINISTRATIVE AND FINANCIAL PRACTICES, BUT IT STILL FACES PROBLEM OF POOR BILLING AND A TARIFF WHICH, UNLESS REVISED UPWARD FROM TIME TO TIME, WILL NOT INSURE ADEQUATE RETURN ON FIXED ASSETS. IN 1973 ONLY 43 PERCENT OF WATER PRODUCED WAS BILLED AND SOLD, AND ABOUT HALF OF BILLED AMOUNT WAS READ FROM METERS. POOR BILLING WAS ATTRIBUTED IN PART TO DEFECTIVE METERS, MOSTLY OF LOCAL MANUFACTURE.

4. ALTHOUGH MWSS CLAIMS TO PREFER TURNKEY CONTRACTS, GOP HAS INSISTED ON ADB ACCOMMODATING ITS STATUTORY REQUIREMENT FOR 15 PERCENT PRICE PREFERENCE TO LOCAL EQUIPMENT AND MANUFACTURERS. US MISSION SHARES USADB MISGIVINGS REGARDING THIS DEVIATION FROM STANDARD INTERNATIONAL COMPETITIVE BIDDING PROCEDURES, AND OUR MUTUAL DISQUIETUDE IS COMPOUNDED BY FACT THAT INTENDED BENEFICIARY WILL BE LOCAL MAKERS OF WATER METERS TO WHICH HAVE BEEN ATTRIBUTED RECORD OF POOR BILLING. EMBASSY STRONGLY BELIEVES THAT USG SHOULD CONTINUE TO CONTEST ANY DEVIATION FROM STANDARD PROCUREMENT PROCEDURES, PARTICULARLY IN THIS CASE. US MISSION WOULD NOT OPPOSE RE-EXAMINATION BY ADB OF ITS STANDARD PROCEDURES BUT BELIEVES ANY CHANGES FROM PRESENT SYSTEM SHOULD OCCUR IN FRAMEWORK WHICH ENSURES ADEQUATE SAFEGUARDS AGAINST POTENTIAL DANGERS OF PREFERENTIAL PROCUREMENT.

5. IN SUM, US MISSION BELIEVES PROJECT AND LOAN ARE WORTHY OF SUPPORT, BUT SUGGESTS THAT LOCAL SUPPLY PREFERENCE BE CONTESTED AND THAT ADB BE PRODDED TO PAY GREATER ATTENTION TO MAINTENANCE OF ADEQUATE MWSS FINANCIAL CONDITION.

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PAGE 03 MANILA 09487 081024Z

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WATER SUPPLY SYSTEM, SEWAGE SYSTEM, BANK LOANS, LOAN AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MANILA09487
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740216-1120
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740864/aaaacczg.tel
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Office: ACTION TRSE
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30 JUN 2005

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TAGS: EAID, EFIN, RP, ADB-1
To: STATE
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